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# **THE UTILITY REFORM NETWORK**

## **FINANCIAL STATEMENTS**

**June 30, 2017**

**(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016)**

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**CROSBY & KANEDA**  
Certified Public Accountants

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Dedicated to Nonprofit Organizations

# **THE UTILITY REFORM NETWORK**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
The Utility Reform Network  
San Francisco, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Utility Reform Network, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Utility Reform Network as of June 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited The Utility Reform Network's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in dark ink that reads "Croody & Lameda CPAs LLP". The signature is written in a cursive, flowing style.

Oakland, California  
October 18, 2017

**THE UTILITY REFORM NETWORK**

**Statement of Financial Position  
June 30, 2017  
(With Comparative Totals as of June 30, 2016)**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 968,514	\$ 1,400,685
Certificates of deposit	1,000,000	-
Accounts receivable, net (Note 3)	2,239,195	1,186,339
Investments (Note 4)	2,045,883	2,568,464
Prepaid expenses	15,148	11,350
Total Current Assets	<u>6,268,740</u>	<u>5,166,838</u>
Property and equipment, net (Note 6)	33,031	8,818
Contingent consultant fees (Note 7)	1,095,210	1,006,561
Deposits	<u>26,873</u>	<u>46,711</u>
Total Assets	<u><u>\$ 7,423,854</u></u>	<u><u>\$ 6,228,928</u></u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 56,251	\$ 48,895
Consultants payable	353,911	252,448
Accrued vacation	170,441	153,456
Total Current Liabilities	<u>580,603</u>	<u>454,799</u>
Deferred fees payable (Note 7)	<u>1,095,210</u>	<u>1,006,561</u>
Total Liabilities	<u>1,675,813</u>	<u>1,461,360</u>
Commitments and Contingencies (Notes 9 and 10)		
Net Assets		
Unrestricted	5,411,708	4,304,900
Temporarily restricted (Note 11)	336,333	462,668
Total Net Assets	<u>5,748,041</u>	<u>4,767,568</u>
Total Liabilities and Net Assets	<u><u>\$ 7,423,854</u></u>	<u><u>\$ 6,228,928</u></u>

See Notes to the Financial Statements

# THE UTILITY REFORM NETWORK

## Statement of Activities For the Year Ended June 30, 2017 (With Comparative Totals for the Year Ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
<b>Support and Revenue</b>				
Support				
Contributions	\$ 241,536	\$	\$ 241,536	\$ 327,762
Foundation grants		376,000	376,000	642,000
Cy pres awards	375,000		375,000	-
Total Support	616,536	376,000	992,536	969,762
Revenue				
Attorney fees	5,335,818		5,335,818	4,163,123
Interest income	2,508		2,508	5,443
Investment activity	40,980		40,980	(7,000)
Miscellaneous	100		100	1,453
Total Revenue	5,379,406	-	5,379,406	4,163,019
Net assets released from donor restrictions (Note 11)	502,335	(502,335)	-	-
Total Support and Revenue	6,498,277	(126,335)	6,371,942	5,132,781
<b>Expenses</b>				
Program	4,715,191		4,715,191	4,200,443
Management and general	185,110		185,110	146,361
Fundraising	491,168		491,168	367,469
Total Expenses	5,391,469	-	5,391,469	4,714,273
Change in Net Assets	1,106,808	(126,335)	980,473	418,508
Net Assets, beginning of year	4,304,900	462,668	4,767,568	4,349,060
Net Assets, end of year	\$ 5,411,708	\$ 336,333	\$ 5,748,041	\$ 4,767,568

See Notes to the Financial Statements

# THE UTILITY REFORM NETWORK

## Statement of Cash Flows For the Year Ended June 30, 2017 (With Comparative Totals for the Year Ended June 30, 2016)

	2017	2016
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 980,473	\$ 418,508
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	6,349	2,461
Donated stock	(450,000)	(25,367)
Investment activity	(40,980)	10,552
Change in assets and liabilities:		
Accounts receivable	(1,052,856)	3,817,983
Prepaid expenses	(3,798)	(8,650)
Contingent consultant fees	(88,649)	13,309
Deposits	19,838	-
Accounts payable	7,356	(16,916)
Consultants payable	101,463	(525,724)
Accrued vacation	16,985	4,454
Deferred fees payable	88,649	(13,309)
Net cash provided (used) by operating activities	<u>(415,170)</u>	<u>3,677,301</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(30,562)	-
Purchase of certificates of deposits, net	(1,000,000)	-
Purchase of investments	-	(2,503,203)
Proceeds from the sale of investments	1,013,561	-
Net cash provided (used) by investing activities	<u>(17,001)</u>	<u>(2,503,203)</u>
Net change in cash and cash equivalents	(432,171)	1,174,098
Cash and cash equivalents, beginning of year	<u>1,400,685</u>	<u>226,587</u>
Cash and cash equivalents, end of year	<u>\$ 968,514</u>	<u>\$ 1,400,685</u>

See Notes to the Financial Statements

**THE UTILITY REFORM NETWORK**

**Statement of Functional Expenses  
For the Year Ended June 30, 2017  
(With Comparative Totals for the Year Ended June 30, 2016)**

	Program						Total Program	Management and General	Fundraising	Total	
	Communications	Organizing	Shut Off Project	Lobbying	CAISO	Legal				2017	2016
Salaries	\$ 157,689	\$ 132,048	\$ 129,219	\$ 9,727	\$	\$ 1,467,401	\$ 1,896,084	\$ 103,598	\$ 163,569	\$ 2,163,251	\$ 1,809,397
Retirement contributions	8,740	6,357	6,457	561	122	75,831	98,068	5,172	7,514	110,754	85,486
Other employee benefits	34,473	23,717	14,727	1,194		161,105	235,216	10,533	13,173	258,922	209,482
Payroll taxes	11,211	9,530	9,182	710		102,182	132,815	7,455	11,912	152,182	129,064
Total Personnel	212,113	171,652	159,585	12,192	122	1,806,519	2,362,183	126,758	196,168	2,685,109	2,233,429
Accounting and audit fees							-	11,792	-	11,792	9,700
Legal fees				257		2,644	2,901	5,792	-	8,693	3,600
Other professional services	26,329	11,829	4,572	144,000	31,963	1,447,495	1,666,188	-	251,212	1,917,400	1,945,180
Supplies	1,344	1,408	1,220	39		10,328	14,339	2,177	1,347	17,863	9,891
Telephone	1,457	1,301	986	50		8,555	12,349	1,205	837	14,391	12,293
Postage	505	2,174	308	23		3,551	6,561	557	495	7,613	4,594
Information technology	6,054	3,088	1,484	89		21,784	32,499	8,091	3,108	43,698	31,962
Occupancy	23,440	19,628	19,208	1,446		240,287	304,009	15,399	24,314	343,722	293,902
Equipment rental and repair	899	827	889	31		5,494	8,140	2,144	936	11,220	7,439
Printing and publication	2,925	3,931	4,204	14		22,908	33,982	302	2,463	36,747	27,644
Travel and meals	799	4,801	16,023	2,086	1,468	35,272	60,449	1,049	2,548	64,046	53,212
Conferences and meetings	40	333	9,148	2	5,397	6,825	21,745	26	401	22,172	18,979
Depreciation	462	388	378	28		4,307	5,563	306	480	6,349	2,461
Insurance	2,233	1,856	1,829	152		21,572	27,642	1,686	2,301	31,629	28,081
Dues, licenses, service fees	180						180	4,776	-	4,956	5,547
Strategic planning	3,712	3,109	3,042	229		34,546	44,638	2,439	3,851	50,928	-
Bad debt						14,020	14,020	-	-	14,020	-
Sub grant expense			79,500	2,810		11,365	79,500	-	-	79,500	-
Miscellaneous	564	1,459	2,105				18,303	611	707	19,621	26,359
Total Expenses	\$ 283,056	\$ 227,784	\$ 304,481	\$ 163,448	\$ 38,950	\$ 3,697,472	\$ 4,715,191	\$ 185,110	\$ 491,168	\$ 5,391,469	\$ 4,714,273

See Notes to the Financial Statements



## THE UTILITY REFORM NETWORK

### Notes to the Financial Statements For the Year Ended June 30, 2017 (With Comparative Totals for the Year Ended June 30, 2016)

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#### NOTE 1: NATURE OF ACTIVITIES

The Utility Reform Network (the Organization) is a California nonprofit public benefit corporation organized as a statewide consumer organization representing utility ratepayers in regulatory, legislative and judicial proceedings before the California Public Utilities Commission (CPUC) and in other forums, as well as providing a wide range of consumer services. Founded in 1973, TURN also handles complaints and grievances, conducts outreach to senior and low-income groups, provides educational information, community training and research and acts as liaison between ratepayers and utility regulators.

#### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### **Basis of Presentation**

The Organization presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

*Unrestricted net assets* – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

*Temporarily restricted net assets* – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

*Permanently restricted net assets* – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, other asset enhancements and diminishments subject to the same kinds of stipulations or reclassifications from or to other classes of net assets as a consequence of donor-imposed stipulations. There were no permanently restricted net assets as of June 30, 2017.

##### **Contributions**

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of

## **THE UTILITY REFORM NETWORK**

### **Notes to the Financial Statements For the Year Ended June 30, 2017 (With Comparative Totals for the Year Ended June 30, 2016)**

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the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### **Income Taxes**

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of June 30, 2017 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

#### **Contributed Services**

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no contributed services that met the criteria for recognition for the year ended June 30, 2017.

#### **Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### **Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

#### **Concentration of Credit Risk**

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

## THE UTILITY REFORM NETWORK

### Notes to the Financial Statements For the Year Ended June 30, 2017 (With Comparative Totals for the Year Ended June 30, 2016)

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#### Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$2,500; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Furniture and equipment	3-5 years
Leasehold improvements	5 years

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable.

#### Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

#### Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

#### Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of October 18, 2017 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

#### NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable largely represent cases filed before the CPUC. Receivables for cases that have been approved by the CPUC are recorded at the actual award amount. The receivables for cases awaiting approval by the CPUC are discounted at 3% of the requested award amounts, based on management's analysis of case results from prior years. The Organization expects to collect substantially all of the outstanding balance by June 30:

# THE UTILITY REFORM NETWORK

## Notes to the Financial Statements For the Year Ended June 30, 2017 (With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
CPUC receivables, cases awaiting approval	\$ 2,110,997	\$ 986,771
CPUC receivables, approved cases	197,451	255,649
Less provision for CPUC final award	<u>(69,253)</u>	<u>(56,081)</u>
Total	<u>\$ 2,239,195</u>	<u>\$ 1,186,339</u>

### NOTE 4: INVESTMENTS

Investments consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 257,572	\$ 1,490
Certificates of deposit	1,091,235	2,501,713
Fixed income	105,530	-
Equities	82,649	65,261
Mutual Funds and ETF's	<u>508,897</u>	<u>-</u>
Total	<u>\$ 2,045,883</u>	<u>\$ 2,568,464</u>

### NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

Fair values of assets measured on recurring basis were as follows as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 257,572	\$ -	\$ 257,572
Certificates of deposit	-	1,091,235	1,091,235
Fixed income:			
Corporate bonds	105,530	-	105,530
Equities:			
Utilities	257	-	257
Telecommunications	305	-	305
Consumer	28,295	-	28,295
Financial services	53,492	-	53,492
Information technology	<u>300</u>	<u>-</u>	<u>300</u>
Total Equities	<u>82,649</u>	<u>-</u>	<u>82,649</u>

**THE UTILITY REFORM NETWORK**

**Notes to the Financial Statements  
For the Year Ended June 30, 2017  
(With Comparative Totals for the Year Ended June 30, 2016)**

Mutual funds and ETF's:			
Fixed income funds	250,663	-	250,663
Equity funds	<u>258,234</u>	<u>-</u>	<u>258,234</u>
Total Mutual funds and ETF's	<u>508,897</u>	<u>-</u>	<u>508,897</u>
Total	<u>\$ 954,648</u>	<u>\$ 1,091,235</u>	<u>\$ 2,045,883</u>

**NOTE 6: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 64,809	\$ 55,551
Leasehold improvements	23,132	1,827
Less accumulated depreciation	<u>(54,910)</u>	<u>(48,560)</u>
Total	<u>\$ 33,031</u>	<u>\$ 8,818</u>

**NOTE 7: CONTINGENT CONSULTANT FEES AND DEFERRED FEES PAYABLE**

The Organization engages with outside experts who provide expert witness consulting fees to support the Organization's cases before the California Public Utilities Commission (CPUC). Certain portions of their fees are contingent on the outcome of cases that have not been decided by the CPUC. The fees will be paid if and when their associated cases are settled by the CPUC and in the amounts based on the CPUC's acceptance of the work performed in its awards for costs. Contingent fees were \$1,095,210 and \$1,006,561 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 8: LINE OF CREDIT**

The Organization has a line of credit with a bank for \$1,500,000 to be drawn upon as needed. The interest rate on the line is the greater of 5.00% or the US Prime Rate plus 2.00%. The rate of interest was 5.25% as of June 30, 2017. As of June 30, 2017 there was no outstanding balance on the line of credit.

**NOTE 9: COMMITMENTS**

The Organization is party to leases for office space in San Francisco and San Diego which expire in September 2018 and 2019, respectively. Future lease commitments were as follows for the years ended June 30:

2018	\$ 315,144
2019	105,074
2020	<u>9,594</u>
Total	<u>\$ 429,812</u>

## THE UTILITY REFORM NETWORK

### Notes to the Financial Statements For the Year Ended June 30, 2017 (With Comparative Totals for the Year Ended June 30, 2016)

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#### NOTE 10: CONTINGENCIES

##### Compliance with Donor Restrictions

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization have complied with the terms of all grants.

#### NOTE 11: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as follows as of June 30:

	<u>2017</u>	<u>2016</u>
Consumer GRID	\$ -	\$ 153,741
Shut Off Project	<u>336,333</u>	<u>308,927</u>
Total	<u>\$ 336,333</u>	<u>\$ 462,668</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction or the expiration of time restriction as follows during the years ended June 30:

	<u>2017</u>	<u>2016</u>
Smart Phone Privacy Project	\$ -	\$ 60,000
Shut Off Project	348,594	51,073
PolicyVoice	-	2,000
Consumer GRID	153,741	46,259
Expiration of time restriction	<u>-</u>	<u>20,000</u>
Total	<u>\$ 502,335</u>	<u>\$ 179,332</u>

#### NOTE 12: CONCENTRATIONS

##### Revenue Concentrations and Receivables

As of June 30, 2017 all accounts receivables consisted of intervenor compensation awards due from the California Public Utilities Commission and approximately 84% of the Organization's revenues and support for the year ended June 30, 2017 were from that same source.

#### NOTE 13: RETIREMENT CONTRIBUTIONS

The Organization has a defined contribution plan as established under Internal Revenue Code Section 401(k) (the Plan). All full time employees are eligible for participation in the Plan and become vested after one year of service. For each Plan year, the Organization contributes an amount equal to 5% of participating employees' total annual salary. Total contributions made by the Organization for the years ended June 30, 2017 and 2016 were \$110,754 and \$85,486, respectively.

**THE UTILITY REFORM NETWORK**

**Notes to the Financial Statements  
For the Year Ended June 30, 2017  
(With Comparative Totals for the Year Ended June 30, 2016)**

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**NOTE 14: JOINT COSTS OF ACTIVITIES THAT INCLUDED FUNDRAISING APPEALS**

The Organization engaged in a number of activities, such as newsletters, that included a fundraising appeal. As a result, the costs of these activities were allocated between fundraising, program services as follows for the year ended June 30:

	<u>2017</u>	<u>2016</u>
Costs allocated to program activities	\$ 25,489	\$ 101,663
Costs allocated to fundraising activities	<u>11,108</u>	<u>108,676</u>
Total	<u>\$ 36,597</u>	<u>\$ 210,339</u>